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**RECREATION DISTRICT NO. 3
OF THE PARISH OF ST. MARY**

Bayou Vista, Louisiana

Year Ended September 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-18-07

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Recreation District No. 3 of the Parish of St. Mary
Bayou Vista, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of Recreation District No. 3 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary, State of Louisiana as of and for the year ended September 30, 2006 which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedule on pages 28 and 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
January 20, 2007

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Statement of Net Assets
September 30, 2006

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and interest-bearing deposits | \$ 62,431 |
| Investments | 267,715 |
| Due from other governmental units | 429,803 |
| Prepaid expenses | 20,764 |
| Capital assets, net | <u>2,354,733</u> |
| TOTAL ASSETS | <u>3,135,446</u> |
| LIABILITIES | |
| Accounts, salaries, and other payables | 25,578 |
| Long term liabilities: | |
| Due within one year | 125,000 |
| Due in more than one year | <u>1,173,000</u> |
| TOTAL LIABILITIES | <u>1,323,578</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 1,052,585 |
| Restricted for - | |
| Capital projects | 281,557 |
| Debt service | 66,535 |
| Unrestricted | <u>411,191</u> |
| TOTAL NET ASSETS | <u>\$ 1,811,868</u> |

The accompanying notes are an integral part of the financial statements.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Statement of Activities
Year Ended September 30, 2006

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|------------------|-------------------------|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Governmental activities: | | | | |
| General government | \$ 340,450 | 52,077 | 118,953 | \$ 97,833 |
| Interest on debt | 53,567 | - | - | (53,567) |
| Total governmental activities | <u>394,017</u> | <u>52,077</u> | <u>118,953</u> | <u>(125,154)</u> |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for maintenance and debt service | | | | 307,895 |
| Interest and investment earnings | | | | 18,188 |
| Total general revenues | | | | <u>326,083</u> |
| Change in net assets | | | | 200,929 |
| Net assets - October 1, 2005, as restated | | | | <u>1,610,939</u> |
| Net assets - September 30, 2006 | | | | <u>\$ 1,811,868</u> |

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS (FFS)

MAJOR FUND DESCRIPTION

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Capital Projects Fund

The Capital Project Fund is used to account for bond proceeds financing the improvements of the facilities.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation bond principal, interest, and related costs.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Balance Sheet
Governmental Funds
September 30, 2006

| | General | Capital Projects | Debt Service | Total Governmental Funds |
|--|----------------|---------------------|-----------------|--------------------------------|
| ASSETS | | | | |
| Assets: | | | | |
| Cash and interest-bearing deposits | \$ 47,456 | \$ 10,797 | \$ 4,178 | \$ 62,431 |
| Investments | 10,310 | 195,048 | 62,357 | 267,715 |
| Prepaid expenses | 20,764 | - | - | 20,764 |
| Due from other governmental units | 119,604 | 81,340 | 217,366.00 | 418,310 |
| Total assets | \$ 198,134 | \$ 287,185 | \$ 283,901 | \$ 769,220 |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 5,535 | \$ - | \$ - | \$ 5,535 |
| Accrued liabilities | 2,401 | 5,628 | - | 8,029 |
| Deferred revenue | 103,720 | - | 217,366 | 321,086 |
| Total liabilities | 111,656 | 5,628 | 217,366 | 334,650 |
| Fund balance: | | | | |
| Reserved for - | | | | |
| Capital projects | - | 281,557 | - | 281,557 |
| Debt service | - | - | 66,535 | 66,535 |
| Unreserved and undesignated | 86,478 | - | - | 86,478 |
| Total fund balance | 86,478 | 281,557 | 66,535 | 434,570 |
| Total liabilities and fund balance | \$ 198,134 | \$ 287,185 | \$ 283,901 | \$ 769,220 |

The accompanying notes are an integral part of the financial statements.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Reconciliation of the Governmental Funds' Balance Sheet
to the Statement of Net Assets
September 30, 2006

| | | |
|---|----------------|---------------------|
| Total fund balances for governmental funds at September 30, 2006 | | \$ 434,570 |
| Total net assets reported for governmental activities in the statement of net assets is different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of | | |
| Land | \$ 268,607 | |
| Buildings, net of \$421,505 accumulated depreciation | 1,438,613 | |
| Ball parks, net of \$145,892 accumulated depreciation | 307,072 | |
| Equipment, net of \$62,622 accumulated depreciation | 49,600 | |
| Furniture, net of \$26,254 accumulated depreciation | 13,940 | |
| Construction in progress | <u>276,901</u> | 2,354,733 |
| Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| | | 11,493 |
| Deferred revenues are not considered current financial resources and are reported as a liability in the funds | | |
| | | 313,220 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds: | | |
| Bonds payable | | (1,298,000) |
| Accrued interest payable | | <u>(4,148)</u> |
| Net assets at September 30, 2006 | | <u>\$ 1,811,868</u> |

The accompanying notes are an integral part of the financial statements.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2006

| | General | Capital Projects | Debt Service | Total Governmental Funds |
|--|------------|---------------------|-----------------|--------------------------------|
| Revenues: | | | | |
| Local Sources- | | | | |
| Intragovernmental | \$ 118,953 | \$ 86,340 | \$ - | \$ 205,293 |
| Ad valorem taxes | 77,707 | - | 168,201 | 245,908 |
| Charges for services | 52,077 | - | - | 52,077 |
| Investment earnings | 1,782 | 14,469 | 1,937 | 18,188 |
| Total revenues | 250,519 | 100,809 | 170,138 | 521,466 |
| Expenditures: | | | | |
| Current - | | | | |
| General government | 180,362 | 180 | 950 | 181,492 |
| Repairs and maintenance | 39,604 | - | - | 39,604 |
| Professional fees | 5,120 | - | - | 5,120 |
| Utilities | 41,645 | - | - | 41,645 |
| Capital outlay | 7,358 | 246,352 | - | 253,710 |
| Debt service - | | | | |
| Interest and fees | - | - | 53,909 | 53,909 |
| Principal | - | - | 117,000 | 117,000 |
| Total expenditures | 274,089 | 246,532 | 171,859 | 692,480 |
| (Deficiency) of revenues over expenditures | (23,570) | (145,723) | (1,721) | (171,014) |
| Fund balances, beginning | | | | |
| | 110,048 | 427,280 | 68,256 | 605,584 |
| Fund balances, ending | | | | |
| | \$ 86,478 | \$ 281,557 | \$ 66,535 | \$ 434,570 |

The accompanying notes are an integral part of the financial statements.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2006

Total net changes in fund balance for the year ended September 30, 2006 per
Statement of Revenues, Expenditures and Changes in Fund Balances \$ (171,014)

The change in net assets reported for governmental activities in the
statement of activities is different because:

Some expenses reported in the statement of activities do not require the use
of current financial resources and are not reported as expenditures in
governmental funds

| | | |
|---|----------------|-----|
| Accrued interest payable - prior year | \$ 4,490 | |
| Accrued interest payable - current year | <u>(4,148)</u> | 342 |

Governmental funds report bonded debt repayments, including interest, as
expenditures. However, principal repayments do not appear in the statement
of activities since the payment is applied against the bond payable balance
on the statement of net assets 117,000

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.
Capital outlay which is considered expenditures on Statement
of Revenues, Expenditures and Changes in Fund Balances 253,710
Depreciation expense for the year ended September 30, 2006 (72,392) 181,318

The net effect of various miscellaneous transactions involving capital assets
(i.e., sales, trade-ins, and donations) is to increase (decrease) net assets. (197)

Some revenues reported in the statement of activities are not considered
current financial resources and are not reported as revenues in
governmental funds

| | | |
|---------------------------------|----------------|---------------|
| Accrued accounts receivable | 11,493 | |
| Deferred revenue - prior year | (251,233) | |
| Deferred revenue - current year | <u>313,220</u> | <u>73,480</u> |

Total changes in net assets for the year ended September 30, 2006 per
Statement of Activities \$ 200,929

The accompanying notes are an integral part of the financial statements.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements

Recreation District No. 3 of the Parish of St. Mary, State of Louisiana was created by Ordinance No. 1109 issued by the St. Mary Parish Council on June 13, 1990. The District encompasses Ward Eight of the Parish of St. Mary less and except that territory contained within the corporate limits of the Town of Berwick, as said corporate limits are presently constituted, and a portion of Ward Five of the Parish of St. Mary. The District is governed by a Board of Commissioners appointed by the St. Mary Parish Council. The purpose of the District is to provide for cultural and recreational activities in that portion of the Parish.

(1) Summary of Significant Accounting Policies

The more significant of the District's accounting policies are described below.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Mary Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- Appointing a voting majority of an organization's governing body, and the ability of the Parish Council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Council.
- Organizations for which the Parish Council does not appoint a voting majority but are fiscally dependent on the Parish Council.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

Because the Parish Council appoints the governing body and has the ability to significantly impose its will, the District is a component unit of the St. Mary Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis—for State and Local Governments*, issued in June 1999.

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include all the financial activities of the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

Fund Financial Statements (FFS)

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified into one category: governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The general fund, the capital project fund, and the debt service fund of the District are considered to be major funds. The funds of the District are described below:

Governmental Funds –

General Fund – this fund is the primary operating fund of the District and it accounts for the operations of the District's office. The general fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

Capital Project Fund – the capital project fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities.

Debt Service Fund – the debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

C. Capital Assets

Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

Capital assets are recorded in the Statement of Net Assets and Statement of Activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| | |
|---|---------------|
| Buildings and improvements (including ball parks) | 20 – 40 years |
| Equipment | 5 – 12 years |
| Furniture | 5 – 7 years |

D. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District uses the following practices in recording certain revenues and expenditures:

Revenues

Intergovernmental revenues are recorded when approved for payment by the payor or governing body.

Ad valorem taxes are recorded in the year taxes are due and payable.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

E. Budgetary Practices

The District prepares and adopts a budget in accordance with LSA-RS 39:1301 et seq. The annual budget for the general fund is prepared in accordance with the basis of accounting utilized by that fund. Budgeted amounts are as originally adopted or as finally amended by the District.

Neither encumbrance accounting nor formal integration of the budget into the accounting records is employed as a management control device. However, periodic comparisons of budget and actual amounts are made. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

F. Cash

Cash includes amounts in demand deposits and interest bearing demand deposits.

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

G. Investments

State statutes authorize the District to invest in United States bonds, treasury notes or certificates, and time deposits of State banks organized under Louisiana law and national banks having principal offices in Louisiana. Local governments in Louisiana are also authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool and with the Louisiana State Treasury.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments meeting the criteria specified in the Statement are stated at fair value. Investments that do not meet the requirements are stated at cost. These investments include amounts invested in the Louisiana Asset Management Pool (LAMP) and the Louisiana State Treasury.

H. Prepaid Items

Insurance payments made to insurance agencies that will benefit periods beyond the current period are recorded as prepaid items.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

I. Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

J. Capitalized Interest

The District capitalizes interest costs and interest earned as part of the cost of constructing various projects when material. The District capitalized no interest for the year ended September 30, 2006.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

(2) Cash and Interest-Bearing Deposits

At September 30, 2006, the District has cash and interest-bearing deposits (book balances) totaling \$62,431, as follows:

| | <u>Governmental Activities</u> |
|------------------------------------|------------------------------------|
| Checking and money market accounts | \$ 36,525 |
| Certificate of deposit | <u>25,906</u> |
| Total | <u>\$ 62,431</u> |

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. At September 30, 2006, the District has \$68,669 in deposits (bank balances). These deposits are entirely secured from risk by federal deposit insurance and therefore not exposed to custodial credit risk.

(3) Investments

State law allows the investment in direct United States Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U. S. Government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book entry only securities guaranteed by the U.S. Government; time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana; savings account or shares of certain savings and loan associations and savings banks; certain accounts of federally or state chartered credit unions; certain mutual or trust fund institutions; certain guaranteed investment contracts; and investment grade commercial paper of domestic United States corporation.

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment. The District's investment policy conforms to state law, as described above, which has no provision for custodial credit risk.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

Concentration of credit risk relates to the amount of investments in any one entity. At September 30, 2006, the District had no investments in any entity which exceeded 5% of total investments, except obligations of federal and state agencies.

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy conforms to state law, which does not include a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of September 30, 2006, the District had the following investments and maturities:

| Investment Type | Fair Value | Years | | |
|------------------|----------------|----------------|---------------|---------------|
| | | Less than 1 | 1 to 3 | 4 to 8 |
| LAMP | 205,358 | 205,358 | - | - |
| Federal agencies | <u>64,000</u> | - | <u>13,761</u> | <u>48,596</u> |
| Total | <u>269,358</u> | <u>205,358</u> | <u>13,761</u> | <u>48,596</u> |

Credit risk is defined as the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The District invested only in obligations of federal or state agencies which are not rated. The type of investment allowed by state law ensures that the District is not exposed to credit risk.

In accordance with GASB Codification Section 150.128, the investment in LAMP is not exposed to custodial credit risk because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, Districts, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair market value of investments is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

In accordance with GASB Statement No. 31, the District recognizes the net increase (decrease) in the fair value of its investments. For the year ended September 30, 2006, the fair value of the District's investments decreased \$1,643.

(4) Ad Valorem Taxes

The District's ad valorem tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and an enforceable lien attaches to the property on January 1. The taxes are collected on behalf of the District by the St. Mary Parish Sheriff and then remitted to the District. The District receives most of the ad valorem taxes in January and February. For the year ended September 30, 2006, the District levied a property tax of 9.36 mills. Six and one-half (6.5) mills was to provide for the payment of the general obligation bond principal payment of the general obligation bond principal and interest, and the remaining 2.86 mills was to provide funds for operations and maintenance.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

(5) Receivables

The following is a summary of receivables at September 30, 2006:

| | Governmental Activities |
|-------------------------------|----------------------------|
| Due from - | |
| St. Mary Parish Government | \$ 23,750 |
| St. Mary Parish Tax Collector | 313,220 |
| State of Louisiana | 92,833 |
| Total receivables | \$ 429,803 |

(6) Capital Assets

Capital asset activity for the year ended September 30, 2006 was as follows:

| | Balance 10/1/2005 | Additions | Deletions | Balance 9/30/2006 |
|---------------------------------------|----------------------|------------|-----------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 268,607 | \$ - | \$ - | \$ 268,607 |
| Construction in progress | 30,549 | 246,352 | - | 276,901 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,860,118 | - | - | 1,860,118 |
| Ball parks | 452,964 | - | - | 452,964 |
| Equipment | 106,831 | 7,358 | (1,967) | 112,222 |
| Furniture | 40,194 | - | - | 40,194 |
| Total | 2,759,263 | 253,710 | (1,967) | 3,011,006 |
| Less: accumulated depreciation | | | | |
| Buildings and improvements | 374,732 | 46,773 | - | 421,505 |
| Ball parks | 129,371 | 16,521 | - | 145,892 |
| Equipment | 57,979 | 6,413 | (1,770) | 62,622 |
| Furniture | 23,569 | 2,685 | - | 26,254 |
| Total | 585,651 | 72,392 | (1,770) | 656,273 |
| Net capital assets | \$2,173,612 | \$ 181,318 | \$ (197) | \$2,354,733 |

Depreciation expense in the amount of \$72,392 was charged to general government.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

(7) Long Term Debt

Bonds payable at September 30, 2006 are comprised of the following issues:

\$600,000 General Obligation Bonds, Series 2003, due in installments of \$15,000 to \$45,000 through March 1, 2023, interest from 4.0% to 5.0% payable from ad valorem taxes to be levied by the District. Issued for the purpose of constructing, equipping and furnishing an addition to the community center and improving existing parks and other recreational facilities of the District.

\$250,000 General Obligation Bonds, Series 2005, due in annual installments of \$5,000 to \$25,000 through March 1, 2025, interest fixed at 3.95% payable from ad valorem taxes of the District. Issued for the purpose of constructing, equipping and furnishing an addition to the community center and improving existing parks and other recreational facilities of the District.

\$600,000 General Obligation Refunding Bonds, Series 2005, due in annual installments of \$92,000 to \$106,000 through March 1, 2011, interest fixed at 3.5% payable from ad valorem taxes of the District. These bonds were issued to redeem the outstanding principal balance of the General Obligation Refunding Bonds, Series 1998 issued January 1, 1998.

During year ended September 30, 2006, the following changes occurred in long term debt:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General obligation debt - | | | | | |
| Series 2003 | 565,000 | - | (20,000) | 545,000 | 20,000 |
| Refunding, Series 2005 | 600,000.00 | - | (92,000) | 508,000 | 95,000 |
| Series 2005 | <u>250,000.00</u> | <u>-</u> | <u>(5,000)</u> | <u>245,000</u> | <u>10,000</u> |
| | <u>\$ 1,415,000</u> | <u>\$ -</u> | <u>\$ (117,000)</u> | <u>\$ 1,298,000</u> | <u>\$ 125,000</u> |

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

The following is a schedule of debt requirements at September 30, 2006:

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|--------------------|-------------------|---------------------|
| 2007 | 125,000 | 49,515 | 174,515 |
| 2008 | 128,000 | 44,943 | 172,943 |
| 2009 | 136,000 | 40,165 | 176,165 |
| 2010 | 143,000 | 35,113 | 178,113 |
| 2011-2015 | 331,000 | 124,780 | 455,780 |
| 2016-2020 | 300,000 | 66,243 | 366,243 |
| 2021-2025 | 135,000 | 9,995 | 144,995 |
| | <u>\$1,298,000</u> | <u>\$ 370,754</u> | <u>\$ 1,668,754</u> |

(8) Retirement System

During the year ending September 30, 2006, all of the District's employees participated in the Social Security System. For the year ended September 30, 2006, the District contributed \$6,510 for the benefit of its employees. In addition, qualified employees also belong to a SEP/IRA Retirement Plan that was established by the District during the year ended September 30, 2002. The District contributes 5% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account on a monthly basis. The District contributed \$3,954 to the SEP/IRA Retirement Plan during the year ended September 30, 2006.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

(9) Compensation Paid To Board Members

The schedule of compensation paid to the board of Commissioners for the period ended September 30, 2006 in compliance with Louisiana Revised Statute 33:4572(B):

| | <u>Per Diem Received</u> |
|------------------------|------------------------------|
| Stan Robison, Chairman | \$ 120 |
| Chris Dehart | 50 |
| Jerry Donahoe | 120 |
| Jeannie Lawrence | 90 |
| Wilbur Lawrence | 90 |
| Don Ryan | 100 |
| Janice Verret | <u>120</u> |
| Total | <u>\$ 690</u> |

(10) Intergovernmental Agreements

On February 27, 1991, the District entered into an agreement with Hospital Service District No. 3, also a component unit of the St. Mary Parish Government, to, at its sole cost and expense, acquire, construct, insure and maintain recreational facilities on excess property owned by the Hospital Service District. The agreement shall be binding on both parties until both parties mutually agree to terminate the agreement or the property is needed by the Hospital Service District for a good and valid purpose.

On March 14, 1994, the District entered into an agreement with Waterworks District No. 2, also a component unit of the St. Mary Parish Government, to provide the Waterworks District with an office located in the Bayou Vista Community Center.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

(11) Charges for Services, net

Charges for services, net (net activity loss) was derived form the following revenues and expenditures:

| | |
|---------------------|-------------------------|
| Revenues | |
| Rental | \$ 28,890 |
| Concession | 18,004 |
| Programs | <u>5,183</u> |
| Total revenue | 52,077 |
| Less: direct costs | <u>(20,676)</u> |
| Net activity income | <u><u>\$ 31,401</u></u> |

(12) Restatement of Net Assets

Beginning net assets, previously reported as \$1,626,875, have been restated to reflect the improper application and/or accrual of the following:

| | Increase/ (Decrease) |
|---|-------------------------|
| Duplication of construction in progress within components of capital assets | <u>\$ (15,936)</u> |

REQUIRED SUPPLEMENTARY INFORMATION

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2006

| | Budgeted Amounts | | Actual | Variance - Favorable (Unfavorable) |
|--|---------------------|------------------|------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 90,000 | \$ 90,000 | \$ 77,707 | \$ (12,293) |
| Grant - Parish Council | 93,000 | 93,000 | 100,000 | 7,000 |
| FEMA Hurricane Grant | - | - | 18,953 | 18,953 |
| Net activity income | 52,000 | 49,000 | 52,077 | 3,077 |
| Interest income | 800 | 800 | 1,782 | 982 |
| Total revenues | <u>235,800</u> | <u>232,800</u> | <u>250,519</u> | <u>17,719</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General government | 166,130 | 179,545 | 180,362 | (817) |
| Repairs and maintenance | 18,000 | 23,000 | 39,604 | (16,604) |
| Professional fees | 7,000 | 7,000 | 5,120 | 1,880 |
| Utilities | 31,500 | 44,300 | 41,645 | 2,655 |
| Capital outlay | 12,000 | 12,000 | 7,358 | 4,642 |
| Total expenditures | <u>234,630</u> | <u>265,845</u> | <u>274,089</u> | <u>(8,244)</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,170</u> | <u>(33,045)</u> | <u>(23,570)</u> | <u>9,475</u> |
| Fund balance, beginning | <u>110,048</u> | <u>110,048</u> | <u>110,048</u> | <u>-</u> |
| Fund balance, ending | <u>\$ 111,218</u> | <u>\$ 77,003</u> | <u>\$ 86,478</u> | <u>\$ 9,475</u> |

See accompanying note to budgetary comparison schedule.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Note to Budgetary Comparison Schedule

(1) Basis of Accounting

The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted or as finally amended by the District.

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Commissioners
Recreation District No. 3 of the Parish of St. Mary
Bayou Vista, Louisiana

We have audited the financial statements of the governmental activities and each major fund, of Recreation District No. 3 of the Parish of St. Mary (hereinafter "District") as of and for the year ended September 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying summary schedule of audit results as Item 2006-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and others within the organization and is not intended to be and should not be used by anyone other than specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with LSA-R.S. 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
January 20, 2007

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Summary Schedule of Audit Results
Year Ended September 30, 2006

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

A reportable condition in internal control was disclosed by the audit of the financial statements and the condition is considered a material weakness.

The audit disclosed no instances of noncompliance which are required to be reported in accordance with *Government Auditing Standards*.

A management letter was not issued.

Part II. Findings which are required to be reported in accordance with *Government Auditing Standards*:

2006-1 Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

"Internal control is a process – effected by an entity's board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2006

Part III. Findings and questioned costs for federal awards required to be reported in accordance with Office of Management and Budget Circular A-133:

The District was not required to have an audit performed in accordance with OMB Circular A-133; therefore, this section is not applicable.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2006

| Fiscal Year Finding Initially Occurred | Description of Finding | Corrective Action Taken (Yes, No, Partially) | Planned Corrective Action/Partial Corrective Action Taken |
|--|------------------------|--|--|
| Ref. No. | Occurred | Description of Finding | Corrective Action Taken (Yes, No, Partially) |
| <u>Section I - Internal control and compliance material to the financial statements.</u> | | | |
| <u>Internal control</u> | | | |
| 2005-01 | 2002 or prior | Accounting and financial functions are not adequately segregated | No See corrective action plan for current year findings |
| <u>Compliance</u> | | | |
| No items were reported in this section. | | | |
| <u>Section Ia - Other internal control and compliance</u> | | | |
| <u>Internal control</u> | | | |
| No items were reported in this section. | | | |
| <u>Compliance</u> | | | |
| No items were reported in this section. | | | |
| <u>Section II - Management letter</u> | | | |
| No items were reported in this section. | | | |

RECREATION DISTRICT NO.3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2006

| Ref. No. | Description of Finding | Corrective Action Planned | Contact Person(s) | Anticipated Completion Date |
|--|--|---|-------------------|-----------------------------|
| <u>Section I - Internal control and compliance material to the financial statements.</u> | | | | |
| <u>Internal control</u> | | | | |
| 2006-1 | Accounting and financial functions are not adequately segregated | No corrective action is planned. Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties. | N/A | N/A |

Compliance

No items are applicable to this section.

Section Ia - Other Internal control and compliance

Internal control

No items are applicable to this section.

Compliance

No items are applicable to this section.

Section II - Management letter

No items are applicable to this section.